

**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY**

**NJCLASS/FFELP LOAN PROGRAMS
FINANCIAL STATEMENTS**

June 30, 2008 and 2007

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS

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INDEPENDENT AUDITORS' REPORT

To the Board Members of
New Jersey Higher Education Student Assistance Authority

We have audited the accompanying financial statements of the business-type activities of the New Jersey College Loans to Assist State Students ("NJCLASS") and Federal Family Education Loan Programs ("FFELP") of the New Jersey Higher Education Student Assistance Authority (the "Authority") as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NJCLASS/FFELP Loan Programs of the Authority at June 30, 2008 and 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2008 on our consideration of the NJCLASS/FFELP Loan Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 36-39 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Amercader, PC
Certified Public Accountants

October 29, 2008

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the New Jersey Higher Education Student Assistance Authority's (the "Authority") New Jersey College Loans to Assist State Students ("NJCLASS") Loan Program and the Federal Family Education Loan Program ("FFELP") (collectively, the "Programs"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Programs for the fiscal year ended June 30, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented herein in conjunction with the financial statements taken as a whole. A comparative analysis of key elements of financial statements is provided in this overview.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Programs' financial statements, which are comprised of the basic financial statements and the notes to financial statements. Since the Programs are comprised of a single enterprise fund, no fund-level financial statements are shown. This report also contains other supplementary information concerning the financial position and results of operations broken down by bond issues included in the Programs.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Programs' finances, in a manner similar to a private-sector business.

The statements of net assets present information on all of the Programs' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Programs is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

The statements of revenues, expenses and changes in net assets present information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the financial position and results of operations of each bond issue included in the Programs, as well as the auditors' report on internal control over financial reporting and on compliance and other matters.

Financial Highlights and Analysis

The Programs' net assets, referring to the difference between assets and liabilities, decreased by \$40,211,699, or 87.9 percent, from the prior fiscal year. The term "Net Assets" is used in accordance with rules promulgated under Governmental Accounting Standards Board ("GASB") Statement No. 34, as amended.

As of June 30, 2008, assets of the Programs exceeded liabilities by \$5,545,424.

The largest portion of the Programs' assets consisted of loans receivable from participating borrowers. Total student loans receivable under both the NJCLASS and FFELP loan programs amounted to \$1,193,314,632.

The second major asset component was cash and investments, which together totaled \$341,650,724. The cash and investment balances represent the amounts dedicated to student loan origination and acquisition, funding of reserves required by bond covenants, payment of future Program expenses, and future retirements of bonds. Replenishing the funds used for these purposes were cash received from principal repayments and interest income from NJCLASS and FFELP borrowers, amounting to approximately \$132,283,534 during the year. In addition, NJCLASS application/administrative fee income was \$7,123,040, and \$23,590,357 in interest was earned on investments. The main liability of the Programs is the related debt used to originate or acquire these loans. During fiscal year 2008, interest expense on bonds payable was \$120,524,740, and \$45,850,000 funded bond retirements. Of the amount retired, \$14,840,000 was due to excess revenue calls, resulting from better than forecasted cash flows on the related student loans. The entire \$25,000,000 of 2003 Series E Bonds were retired by a Special Redemption on June 2, 2008, and the remaining \$6,010,000 in retirements was due to scheduled bond maturities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following tables contain condensed comparative financial information derived from the June 30, 2008 and 2007 financial statements of the NJCLASS/FFELP Loan Programs:

	June 30,		Change
	2008	2007	
Net Assets			
Current Assets	\$ 470,922,567	\$ 819,625,054	\$ (348,702,487)
Non-Current Assets	1,093,870,984	825,229,604	268,641,380
Total Assets	<u>\$ 1,564,793,551</u>	<u>\$ 1,644,854,658</u>	<u>\$ (80,061,107)</u>
Current Liabilities	\$ 20,568,127	\$ 14,642,535	\$ 5,925,592
Revenue Bonds Outstanding - Net of Current Portion	1,538,680,000	1,584,455,000	(45,775,000)
Total Liabilities	<u>1,559,248,127</u>	<u>1,599,097,535</u>	<u>(39,849,408)</u>
Net Assets, Restricted	5,545,424	45,757,123	(40,211,699)
Total Liabilities and Net Assets	<u>\$ 1,564,793,551</u>	<u>\$ 1,644,854,658</u>	<u>\$ (80,061,107)</u>

	Year Ended June 30,		Change
	2008	2007	
Changes in Net Assets			
Operating Revenues	\$ 77,037,879	\$ 59,882,493	\$ 17,155,386
Operating Expenses	140,881,739	70,542,021	70,339,718
Operating Loss	<u>(63,843,860)</u>	<u>(10,659,528)</u>	<u>(53,184,332)</u>
Non-Operating Revenues (Expenses)			
Income on Investments	23,590,357	28,924,312	(5,333,955)
NJCLASS/FFELP Program Funding	-	625,000	(625,000)
Miscellaneous Income	538,497	256,086	282,411
Amortization of Financial Instrument Issuance Costs	(474,140)	(112,111)	(362,029)
Amortization of Bond Issuance Costs	(108,373)	(443,903)	335,530
Arbitrage Expense	85,820	(164,178)	249,998
Net Non-Operating Revenues	<u>23,632,161</u>	<u>29,085,206</u>	<u>(5,453,045)</u>
Change in Net Assets	<u>(40,211,699)</u>	<u>18,425,678</u>	<u>(58,637,377)</u>
Net Assets, beginning of year	45,757,123	27,331,445	18,425,678
Net Assets, end of year	<u>\$ 5,545,424</u>	<u>\$ 45,757,123</u>	<u>\$ (40,211,699)</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Explanation of Changes in Financial Performance

Changes in the financial results of the Programs were due to the following major factors:

Operating Revenues

- Interest income on NJCLASS student loans increased by approximately \$16,161,946, or 36 percent, due to a record increase in NJCLASS originations during the year. NJCLASS application/administration fee income increased by \$2,273,604, due to the increase in new loans, as well as the one percent loan reserve fee charged on approximately \$32,644,615 in NJCLASS loans consolidated during the year. Interest income on FFELP loans decreased by \$1,280,164, due to the aging of the portfolio of loans purchased.

Operating Expenses

- Bond interest expense increased by approximately \$65,650,000. This was primarily due to the following two reasons:
 - HESAA issued \$275,000,000 in new bonds in May 2007 which represented an approximately 20% increase in the amount of bonds outstanding.
 - Conditions in the municipal securities market, which caused Auction Rate Certificates, the type of variable rate securities that comprise all of the Authority's 2001 through 2007 Bonds, to become increasingly unmarketable, eventually resulting in the failure of all of the periodic auctions of these bonds, beginning in February 2008, as the investment banks that had traditionally provided backstop funding to the auction market withdrew their capital support. A failed auction is one for which sufficient clearing bids were not received to sell all the bonds being remarketed on the auction date. Actions required when an auction fails are defined below:

Auction Failures - "All Hold" rate. When an auction fails, all bond holders prior to the auction are required to hold them for the next auction period, at the "All Hold" rate, which is the lesser of the maximum rate permitted under the supplemental indenture, or an index rate that is based on either the After Tax Equivalent Rate or the Kenny index, multiplied by an "Applicable Percentage," as defined in the supplemental indenture of the bond issue.

As a measure to prevent auction failures, on December 17, 2007, HESAA entered into an Eleventh Supplemental Indenture with its Trustee, Wells Fargo Bank, which specified that auction interest rates on these variable rate bonds could be set up to the maximum rate of 14% on the 2001 through 2006 bonds, and 12% on the 2007 bonds through May 31, 2008, without defaulting to the lower of the maximum rate or the index rate multiplied by the Applicable Percentage, as defined in the applicable supplemental indentures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses (Continued)

Auction Failures - "All Hold" rate. (Continued)

Despite this action, all auctions on the Authority's ARC bonds failed from February 13, 2008 through the end of the fiscal year and thru the date of the Independent Auditors' Report on these financial statements. As of June 1, 2008, the interest rate calculations reverted to the method defined in the supplemental indentures for each issue, resulting in application of the lesser of the All Hold rate, or the Maximum rate to each auction.

As of June 30, 2008, the NJCLASS/FFELP program had entered into interest rate swap agreements that have current nominal amounts that fix the interest rates on \$1,086,900,000 of variable rate Authority bonds. These swaps are designed to fix the cost of capital used to finance fixed-rate NJCLASS student loans. Interest paid on these swaps is a component of bond interest expense.

- Bad debt expense is recorded when increases to the Allowance for Doubtful Accounts recorded against amounts due from the loan reserve fund to pay default claims become necessary. In fiscal year 2008, an additional \$2,649,994 in bad debt expense was recorded, due to an increase in defaults on NJCLASS loans. The increase in defaults is partly a result of the significant increases in the NJCLASS loan portfolio during the 2008 and 2007 Fiscal Years, as described below in **Significant Events**. Bad debt expense of \$1,723,000 was recorded in fiscal year 2007. For a full description of the Allowance for Doubtful Accounts, see NOTES TO FINANCIAL STATEMENTS - C. STUDENT LOANS RECEIVABLE – Loan Defaults.
- Other program expenses increased by \$1,218,318 over the prior year. This was mainly caused by an increase of 45.7% in loan reserve fee expense, which is a 1% fee paid by the NJCLASS Program to the separate Loan Reserve Fund at the time loans are disbursed. This percentage increase mirrors the growth in NJCLASS loan volume for the year.
- Transaction fees increased by \$382,767, primarily due to the issuance of the 2007 Bonds in May 2007.

Non-Operating Revenues (Expenses)

- Investment interest income decreased significantly, amounting to \$23,590,357, compared to \$28,924,000 in the prior year, primarily due to a decrease in combined balances in cash and investments of \$377,645,244. This decrease is primarily due to the use of the funds provided by the Authority's 2007 Bonds, as well as recycled proceeds from earlier issuances, to originate and disburse student loans during the 2007-08 academic year. Concurrently, the termination of four of the Authority's Guaranteed Investment Agreements, two of which were due to the retirement of the 1993 and 1995 Bond Issues, as well as lower variable interest rates on other Agreements, contributed to the decrease.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-Operating Revenues (Expenses) (Continued)

- During the 2008 fiscal year, no NJCLASS/FFELP Program funding was received, due to the delay in issuance of the 2008 Bonds until August 2008. During fiscal year 2007, \$625,000 of HESAA funds were provided to support the cash flows and provide enhanced borrower benefits for the NJCLASS Graduate/Professional loan program.

Significant Events

- At fiscal year end, the Programs had \$1,545,135,000 in bonds outstanding, compared to \$1,590,985,000 in the prior fiscal year - a decrease of three percent. This is due to the aforementioned \$45,850,000 in retirements.
- During the year, the Authority continued to experience strong growth in NJCLASS student loan volume, with cash disbursements of \$343,040,169 for new loans, compared to \$232,576,743 during fiscal year 2007, an increase of 47.5 percent.

	Year Ended June 30,	
	2008	2007
Net cash used in operating activities	\$ (357,471,432)	\$ (188,142,567)
Net cash flows (used in) provided by financing activities	(45,460,471)	246,776,847
Net cash flows provided by (used in) investing activities	427,918,003	(52,441,781)
Net increase in cash and cash equivalents	\$ 24,986,100	\$ 6,192,499

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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STATEMENTS OF NET ASSETS

	June 30,	
	2008	2007
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 73,486,089	\$ 48,499,989
Investments	268,164,635	670,795,979
NJCLASS Student Loans Receivable	94,041,719	70,445,562
FFELP Student Loans Receivable	13,484,735	12,843,338
Interest Receivable		
Investments	333,802	2,121,967
NJCLASS Student Loans	15,595,711	11,242,815
FFELP Student Loans	1,725,738	2,121,453
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of \$5,322,994 and \$2,673,000 in 2008 and 2007, respectively	3,912,063	1,286,613
Due from the State General Fund	6,733	1,911
Due from Loan Servicing Agents	171,342	265,427
Total Current Assets	470,922,567	819,625,054
Non-Current Assets		
NJCLASS Student Loans Receivable	970,311,136	706,018,327
FFELP Student Loans Receivable	115,477,042	110,604,967
Bond Issuance Costs - Unamortized	7,588,753	8,062,893
Financial Instrument Issuance Costs - Unamortized	494,053	543,417
Total Non-Current Assets	1,093,870,984	825,229,604
Total Assets	<u>\$1,564,793,551</u>	<u>\$1,644,854,658</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bonds Payable	\$ 6,455,000	\$ 6,530,000
Accrued Interest Payable - Bonds	12,676,616	6,088,914
Fees Payable	1,089,893	1,142,624
Arbitrage Payable	115,204	292,887
Due to the Loan Reserve Fund	231,414	588,110
Total Current Liabilities	20,568,127	14,642,535
Non-Current Liabilities		
Bonds Payable	1,538,680,000	1,584,455,000
Total Liabilities	1,559,248,127	1,599,097,535
Net Assets		
Restricted	5,545,424	45,757,123
Total Liabilities and Net Assets	<u>\$1,564,793,551</u>	<u>\$1,644,854,658</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2008	2007
Operating Revenues		
Application/Administrative Fee Income	\$ 7,123,040	\$ 4,849,436
Interest Income		
NJCLASS Student Loans	61,159,601	44,997,655
FFELP Student Loans	8,755,238	10,035,402
Total Operating Revenues	77,037,879	59,882,493
Operating Expenses		
Loan Servicing Fees		
NJCLASS Student Loans	8,033,987	6,066,768
FFELP Student Loans	2,543,282	2,518,912
Program Expenses		
Annual Insurance Expense	1,006,264	839,560
Transaction Fees	2,401,067	2,018,300
Bad Debt Expense	2,649,994	1,723,000
Other Program Expenses	3,722,405	2,504,087
Bond Interest Expense	120,524,740	54,871,394
Total Operating Expenses	140,881,739	70,542,021
Operating Loss	(63,843,860)	(10,659,528)
Non-Operating Revenues (Expenses)		
Income on Investments	23,590,357	28,924,312
NJCLASS/FFELP Program Funding	-	625,000
Miscellaneous Income	538,497	256,086
Amortization of Bond Issuance Costs	(474,140)	(443,903)
Amortization of Financial Instrument Issuance Costs	(108,373)	(112,111)
Arbitrage Expense	85,820	(164,178)
Total Non-Operating Revenues	23,632,161	29,085,206
Change in Net Assets	(40,211,699)	18,425,678
Net Assets, beginning of year	45,757,123	27,331,445
Net Assets, end of year	\$ 5,545,424	\$45,757,123

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2008	2007
Cash Flows from Operating Activities		
Interest Receipts		
NJCLASS Student Loans	\$ 36,774,715	\$ 28,418,464
FFELP Student Loans	7,843,414	8,861,467
Principal Receipts		
NJCLASS Student Loans	69,498,397	56,381,417
FFELP Student Loans	18,167,008	27,338,981
Reimbursements from Loan Reserve Fund	7,155,514	6,838,501
NJCLASS Student Loan Disbursements	(343,040,169)	(232,576,743)
FFELP Student Loan Purchases	(22,433,843)	(16,094,494)
Annual Insurance Expense	(1,006,264)	(839,560)
Transaction Fees	(2,363,839)	(1,910,051)
Loan Servicing Fees	(10,423,701)	(8,405,139)
Program Expense Payments	(3,705,626)	(2,550,446)
Interest Paid on Bonds	(113,937,038)	(53,604,964)
Net Cash Used in Operating Activities	(357,471,432)	(188,142,567)
Cash Flows from Financing Activities		
Principal Paid on Bonds	(45,850,000)	(27,756,503)
Bond Proceeds	-	274,307,177
NJCLASS Program Funding	-	625,000
Miscellaneous Income	538,497	256,086
Bond Issuance Costs	(24,454)	(654,913)
Financial Instrument Issuance Costs	(124,514)	-
Net Cash Flows (Used in) Provided by Financing Activities	(45,460,471)	246,776,847
Cash Flows from Investing Activities		
Investment Purchases, Sales Proceeds and Maturities, Net	402,631,344	(80,649,602)
Arbitrage Payments	(91,863)	-
Interest on Investments	25,378,522	28,207,821
Net Cash Flows Provided by (Used in) Investing Activities	427,918,003	(52,441,781)
Net Increase in Cash	24,986,100	6,192,499
Cash and Cash Equivalents at Beginning of Year	48,499,989	42,307,490
Cash and Cash Equivalents at End of Year	\$ 73,486,089	\$ 48,499,989

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STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30,	
	2008	2007
Reconciliation of Operating Loss to Net Cash used in Operating Activities		
Operating loss	\$ (63,843,860)	\$ (10,659,528)
Adjustments to reconcile operating loss to net cash used by operating activities		
Bad Debt Expense	2,649,994	1,723,000
Net change in assets and liabilities		
NJCLASS Student Loans Receivable	(287,888,966)	(187,529,371)
FFELP Student Loans Receivable	(5,513,472)	10,047,038
Interest Receivable		
NJCLASS Student Loans	(4,352,896)	(2,913,011)
FFELP Student Loans	395,715	46,363
Due from Loan Reserve Fund	(5,275,444)	(676,762)
Due from General Fund	(4,822)	(1,911)
Due from Loan Servicing Agents	94,085	153,556
Accrued Interest Payable - Bonds	6,587,702	1,266,430
Fees Payable	37,228	58,249
Due to Loan Reserve Fund	(356,696)	343,380
Net cash used in operating activities	\$ (357,471,432)	\$ (188,142,567)
Non-Cash Financing Activities		
Amortization - Bond Issuance Costs	\$ 474,140	\$ 443,903
Amortization - Financial Instrument Issuance Costs	108,373	112,111
Total Non-Cash Financing Activities	\$ 582,513	\$ 556,014

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

The New Jersey Higher Education Student Assistance Authority (the "Authority or HESAA") is a public body corporate and politic that is in, but not of, the Department of State of the State of New Jersey (the "State") and is an instrumentality of the State.

The Authority was established by State legislation in 1999 to provide students and families with the financial and informational resources for students to pursue their education beyond high school. Prior to the act, the New Jersey Higher Education Assistance Authority, created by legislation in 1959, served as lender and guarantor of federally guaranteed student loans for New Jersey students. References herein to the Authority include the predecessor Authority where the context so requires.

Reporting Entity

The reporting entity is comprised of the New Jersey College Loans to Assist State Students ("NJCLASS") Loan Program and the Federal Family Education Loan Program ("FFELP") (collectively, the "Programs").

NJCLASS Program

The NJCLASS Loan Program is a supplemental loan program initiated by the Authority in September 1991. The NJCLASS Loan Program offers an alternative source of financial support to students and their parents, spouses, legal guardians, or other relatives in meeting the costs of the student's education at a degree-granting college or university. Since 1991, the Authority has issued bonds to fund student loans through this program.

FFELP Loan Program

In 2001, the Authority expanded its use of debt financing by issuing bonds, with a portion of the proceeds allocated to purchase a portfolio of existing loans with a New Jersey nexus issued through the Federal Family Education Loan Program ("FFELP"). Each year since 2001, the Authority has purchased such portfolios of New Jersey nexus FFELP loans or FFELP Consolidation loans from other FFELP loan origination/servicing entities. The Authority is not the servicer on any of the FFELP loans acquired with NJCLASS/FFELP Bond proceeds but is the guarantor on a portion of its FFELP portfolio. In addition to loans purchased from outside servicing organizations, the NJCLASS/FFELP Loan Program has also used bond proceeds to purchase portfolios of rehabilitated FFELP student loans from the portfolio of previously defaulted FFELP student loans held by the Authority as the New Jersey state guaranty agency. The Authority plans to continue to acquire and act as a guarantor and/or holder of FFELP loans.

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NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Programs prepare their financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Programs have elected to follow GASB pronouncements exclusively.

Operating Revenues and Expenses

The Programs' operating revenues consist of application/administrative fees for student loan originations as well as interest income earned on student loans. Operating expenses consist of loan service and transaction fees, bond interest and other expenses related to NJCLASS and FFELP loans. All other revenues and expenses are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Basis of Investments

Investments are reflected at fair value. In accordance with the provisions of the bond indentures, the Authority is generally required to invest available monies in qualified investments. The bond indentures define qualified investments as:

- (1) Government obligations and any obligations of any state or political subdivision of a state (collectively, the "Municipal Bonds").
- (2) U.S. Government and certain other governmental agencies' obligations.
- (3) Insured certificates of deposit.
- (4) Other investments acceptable by the State of New Jersey and rated accordingly by either Standard and Poor's ("S&P"), Moody's or A.M. Best, including annuity contracts and repurchase agreements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes

The Authority is deemed to be an essential governmental function of the State and, as such, is exempt from federal income taxes. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Bond Issuance Costs

All costs associated with the issuance of bonds are amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method.

Financial Instrument Issuance Costs

All separately identifiable costs associated with the issuance of financial instruments are amortized on a straight-line basis over the life of the financial instruments, which approximates the effective interest method.

Restricted Net Assets

In accordance with the terms of the various bond resolutions, the excess of assets over liabilities under such bond resolutions is classified as restricted net assets.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The NJCLASS/FFELP Loan Programs maintain their cash and cash equivalents balances primarily in trust accounts at one financial institution. As trust account balances, these funds are not available to the institution to meet its general financial obligations and are restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense, student loan disbursements and Program expenses. These funds are invested in a AAA-rated money market fund secured by U.S. government obligations.

Additionally, the Programs utilize lockbox accounts to clear cash receipts. Amounts on deposit in the NJCLASS lockbox accounts at Wachovia National Bank and Bank of America are collateralized by direct obligations of or obligations guaranteed by the United States or the State of New Jersey in accordance with New Jersey Statute 52:18-16 and New Jersey Department of Treasury policy. GASB Statement No. 40 excludes such cash balances from custodial credit risk disclosure.

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NOTES TO FINANCIAL STATEMENTS

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Cash and Cash Equivalents (Continued)

The amounts on deposit in these cash accounts were as follows:

	June 30,	
	2008	2007
Lockbox Cash (Wachovia Bank)	\$ 2,875,652	\$ 1,579,312
Trust Accounts invested in		
Wells Fargo Advantage Government Money		
Market Fund	70,610,437	46,920,677
	\$ 73,486,089	\$ 48,499,989

Investments

The Programs' investments consist of annuity contracts, money market funds and pooled cash management funds.

Investment policies are defined in "Basis of Investments," in Note A, Summary of Significant Accounting Policies.

The debt service reserve accounts are restricted by the bond indentures for the payment of principal and/or interest on the bonds, to the extent other available monies held under the indentures are insufficient to pay the interest on the bonds or to meet any sinking fund requirements. The amounts in the debt service reserve accounts for the various bond issues, which are included in investments at June 30, 2008 and 2007, were \$35,411,135 and \$48,175,238, respectively.

The fair value of these investments approximates cost.

Investments - Custodial Credit Risk

The Authority invests a portion of its bond proceeds through guaranteed investment contracts with investment providers having a rating of A-1 or A (or the equivalent or better). These contracts have guaranteed rates of return; however, they are uninsured and uncollateralized. All companies in which Authority funds are invested are required by their contracts to notify the trustee in the event that their highest rating is withdrawn by a rating agency. The investment contract provider has the option of posting collateral for the invested funds with a third party until such time as its rating is restored or returning the investment with full accrual of interest and without penalty to the trustee for rebidding.

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NOTES TO FINANCIAL STATEMENTS

B. CASH AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk (Continued)

Subsequently, on July 1, 2008, the credit rating of MBIA, Inc., parent company of MBIA Investments, Inc., provider of the Guaranteed Investment Contract (GIC) for the HESAA 2001 Bonds, was lowered from AAA to A-2 by Moody's, Inc., and from AAA to AA- by Standard & Poors, Inc. Under terms of this investment agreement, MBIA is required to post collateral in the event of such a downgrade. On August 26, 2008, a custody agreement was signed by MBIA and the NJCLASS Trustee, Wells Fargo Bank, and collateral was posted by MBIA for this GIC.

The amounts held in guaranteed investment contracts at June 30, 2008 and 2007, respectively, are summarized below:

	June 30,	
	2008	2007
Guaranteed Investment Contracts	\$ 268,164,635	\$ 670,795,979

Investments - Concentrations of Credit Risk

"Concentration of Credit Risk" is the risk that relates to the amount of investment at any one entity. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed investment contracts are the only category held by NJCLASS/FFELP subject to concentration of credit risk disclosure. Of all amounts invested in guaranteed investment contracts, the balances held by the following investment providers exceed this threshold as follows:

Bayern LB	43.16%
NATIXIS Funding Corp	33.00%
Rabobank	16.75%

These risks are mitigated by the collateral provisions of the Guaranteed Investment Contracts that govern these investments.

Investments - Interest Rate Risk

NJCLASS/FFELP investment policies, as described in Note A, Summary of Significant Accounting Policies, Basis of Investments, require balances to be maintained in high-quality, low-risk investment options. All investment vehicles used by the Authority seek to maintain a stable price of \$1.00 per share. In these types of investments, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, NJCLASS/FFELP investments are not subject to interest rate risk.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

C. STUDENT LOANS RECEIVABLE

The terms and conditions of the FFELP loans held by the Authority are governed by the federal rules and regulations of FFELP and various benefit programs extended by the original lender of these purchased loans.

NJCLASS loans originated by the Authority to eligible borrowers, as defined in the bond indentures and NJCLASS Program regulations, have the following repayment options:

- (1) To pay principal and interest monthly, beginning within 60 days of disbursement;
- (2) To pay only interest, quarterly, while the student is in school and thereafter to pay principal and interest monthly; or
- (3) To defer principal and interest payments while the student is in school and thereafter to pay principal and interest monthly.

Under options (1) and (2) as defined above, the NJCLASS loans originated from 1991 through 2008 generally bear interest at rates ranging from 5.25 percent to 8.95 percent.

Under option (3), deferred interest payments on loans funded from the 1991 through 1996 Bond Issues are added to the original loan balance on a quarterly basis. Deferred interest on loans funded from the 1997 through 2008 Issues is added to the original loan balance on an annual basis. Under this option, rates range from 5.55 percent to 9.25 percent.

Loans originally funded from the 1997 Series B and 1999 Series B Bonds that have been refunded by the 2003 Series E Bonds, as well as new loans funded from 2003 Series E Bonds, allow for the issuance of non-credit-based variable rate loans. Any loans funded from these issues that were disbursed on June 1, 2001, or later are subject to an interest rate cap of 9 percent.

For NJCLASS loans approved between June 1, 2001 and August 7, 2008, borrowers who chose options (1) and (2), and have entered full repayment have the option to receive a .50 percent interest rate reduction in exchange for making Automated Clearing House payments. This interest rate reduction was discontinued for all loans made after August 7, 2008.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

C. STUDENT LOANS RECEIVABLE (CONTINUED)

Beginning in June 2005, HESAA initiated an NJCLASS Consolidation Loan Program that allows existing NJCLASS borrowers who are out of school or withdrawn to consolidate their existing NJCLASS loans. The NJCLASS Consolidation Loan offers terms of either 25 or 30 years, depending on the dollar amount. The interest rate is a blended rate derived from the rates on the underlying loans being consolidated. As of June 30, 2008, the amount of NJCLASS Consolidation Loans outstanding was \$80,287,487.

In order to better meet the needs of student loan borrowers, effective June 1, 2006, HESAA made several changes to the NJCLASS Loan program, beginning during the 2006-2007 academic year. The repayment term for its Fixed Rate Standard NJCLASS Loans was increased from 15 years to 20 years, the application fee for Fixed Rate Standard NJCLASS Loans and Graduate/Professional NJCLASS Loans was reduced from three percent to two percent, and new Graduate/Professional NJCLASS Loans were originated at a fixed interest rate, as opposed to the variable rate subject to annual reset that was applied to loans originated in previous years.

Loan Servicing

In conjunction with the Authority's servicing of the student loans, the NJCLASS Loan Program remits to the Authority certain fees for Program administration, which are paid from Program revenues. For the years ended June 30, 2008 and 2007, \$8,033,987 and \$6,066,768 of servicing fees, respectively, were included in loan servicing fees charged to the NJCLASS Loan Program. In connection with the purchases of portfolios of existing loans, FFELP pays certain fees for Program administration, which are payable from Program revenues. For the years ended June 30, 2008 and 2007, the fees include administrative expenses of \$616,802 and \$646,753, respectively, paid to the Authority and fees paid to servicing agents of \$734,341 and \$736,403, respectively. In addition, for the years ended June 30, 2008 and 2007, loan consolidation rebate fees of \$913,984 and \$942,646, respectively, were paid to the United States Department of Education. Premium expense on purchases of FFELP loans for the years ended June 30, 2008 and 2007 amounted to \$253,399 and \$174,581, respectively.

Loan Defaults/Loan Reserve Fund

Under the NJCLASS Loan Program, when a student loan payable in monthly installments reaches 180 days of delinquency or when a student loan payable in installments less frequent than monthly reaches 240 days of delinquency, the Authority will declare the respective loan "in default."

The Authority has established loan default reserve funds to stabilize the impact of loan defaults in the NJCLASS Loan Program. These are funded from sources other than the proceeds of the bonds in the dollar amounts or percentage of original loan principal specified by the appropriate master indenture.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

C. STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

The Loan Reserve Fund is a separate fund established by the Authority to protect the interests of NJCLASS bondholders by reimbursing the various HESAA bond issues when loans default. This fund is not part of the NJCLASS Loan Program, thus it is not included in the accompanying financial statements. Amounts subsequently received relative to defaulted student loans are used to replenish the Loan Reserve Fund to the extent of 70 percent of recoveries. The Authority retains the remaining 30 percent as a collection fee.

During fiscal years ended 2008 and 2007, claims paid by the loan reserve funds totalled \$7,576,923 and \$6,658,913, respectively. As of June 30, 2008 and 2007, the balances due from the Loan Reserve Fund to cover defaulted loans totalled \$9,235,037 and \$3,959,613, respectively.

The Authority considers most of the amount due from its NJCLASS Loan Reserve Fund to be collectible. However, because the ability to pay claims from the Loan Reserve Fund is partially dependent on collections on defaulted loans, management continually evaluates the cash flows of this Fund to determine its ability to reimburse the bond issues on a timely basis. During the fiscal years 2007 and 2008, based on past collections experience and an analysis of the current receivable from the Loan Reserve Fund, management recorded allowances for doubtful accounts in the amount of \$5,322,994 and \$2,673,000, respectively, against the June 30, 2008 and 2007, amounts due from the Loan Reserve Fund.

In addition, the Loan Reserve Fund receives one percent of the loans disbursed from the two percent application fee paid by the borrower. During the years ended June 30, 2008 and 2007, amounts of \$3,705,624 and \$2,550,446, respectively, were paid to the Loan Reserve Fund maintained by the Authority from loan application fees. As of June 30, 2008 and 2007, the balances due to the Loan Reserve Fund from loan application fees and default collections totalled \$231,414 and \$588,110, respectively.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

D. USE OF FINANCIAL INSTRUMENTS

The Authority has entered into financial instrument contracts with various counterparties in connection with its Tax Exempt Variable Rate Bonds, also known as Auction Rate Certificates (“ARCs”), issued between 2001 and 2008 to support its NJCLASS loan program. These include sixteen (16) floating to fixed interest rate swaps (“Swaps”) and two (2) interest rate caps (“Caps”).

Under the terms of the Swap contracts, the Authority pays a fixed rate of interest on pre-established notional amounts. In return, the Authority receives the USD-SIFMA Index rate as calculated weekly, which historically has closely tracked the variable interest rates generated in the ARC market. The purpose of the Swaps is to provide an asset/liability match for the Authority’s fixed-rate NJCLASS loans being funded through the proceeds of the variable rate ARC bonds.

The purpose of the interest rate Cap agreements is to allow the Authority to cap the variable rate of interest on NJCLASS variable rate loans funded at nine percent, a benefit comparable with maximum rates of the federal PLUS program. The Cap agreement initiated on May 29, 2001, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 65 percent of the 12-Month LIBOR, increase above 6.40 percent. The Cap agreement initiated on May 27, 2003, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 72 percent of USD LIBOR, increase above 6.15 percent.

As governed by the amortization schedules contained in each of these agreements, the notional amount of each Swap or Cap increases to a maximum, then amortizes to a minimum value before a fixed termination date, to match the anticipated changes in the outstanding balances of the related student loans.

No amounts relating to these agreements are recorded in the financial statements other than the net interest expense resulting from the agreements.

The interest rates, notional amounts, provider (or counterparty), fair values and termination dates for each ARC bond issue and financial instrument agreement at June 30, 2008 and 2007, are detailed in the attached schedules.

The Swap agreements for certain bond years contain a feature that gives HESAA the option to terminate either or both Swaps on or after a predetermined date. This financial instrument is classified as a “Swaption.” The fair values of these Swaptions are separately listed on the following schedules if separately reported by the swap provider; otherwise, they are included in the fair market value of the Swap.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2008

Transaction Type	Bond Issue	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date	Amortized to
Swap	2001	4.6830%	\$ 42,725,000	\$ 2,765,749	UBS AG	Semi-annually	06/01/16	\$ 3,995,000
Swap		4.0175%	38,210,000	1,447,558	UBS AG	Semi-annually	06/01/16	3,565,000
Cap		6.4000%	4,650,000	(5,749)	UBS AG	05/19/01	06/01/19	1,300,000
			<u>85,585,000</u>	<u>4,207,558</u>				
Swap	2002	4.2005%	53,100,000	2,530,917	Bear Stearns	Semi-annually	06/01/17	5,100,000
Swap		3.2970%	32,615,000	230,449	Bear Stearns	Semi-annually	06/01/17	2,760,000
			<u>85,715,000</u>	<u>2,761,366</u>				
Swap	2003	3.1710%	60,750,000	(122,194)	UBS AG	Semi-annually	12/01/18	3,000,000
Swap		3.1710%	60,750,000	(76,578)	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	14,850,000	270,909	UBS AG	Annually	06/01/28	-
			<u>136,350,000</u>	<u>72,137</u>				
Swap	2004	4.1480%	72,125,000	3,260,778	UBS AG	Semi-annually	12/01/19	3,250,000
Swap		4.1480%	72,125,000	3,314,112	Citigroup	Semi-annually	12/01/19	3,250,000
Swaption			-	(474,567)	UBS AG			
Swaption			-	(617,322)	Citigroup			
			<u>144,250,000</u>	<u>5,483,001</u>				
Swap	2005	4.0100%	70,000,000	2,744,983	UBS AG	Semi-annually	06/01/21	3,000,000
Swap		4.0100%	70,000,000	2,826,442	Citigroup	Semi-annually	06/01/21	3,000,000
Swaption			-	(463,805)	UBS AG			
Swaption			-	(545,742)	Citigroup			
			<u>140,000,000</u>	<u>4,561,878</u>				
Swap	2006	4.4750%	72,500,000	5,795,088	UBS AG	Semi-annually	06/01/31	1,000,000
Swap		4.4750%	72,500,000	5,839,675	Citigroup	Semi-annually	06/01/31	1,000,000
Swaption			-	(1,138,229)	UBS AG			
Swaption			-	(1,240,514)	Citigroup			
			<u>145,000,000</u>	<u>9,256,020</u>				
Swap	2007	4.0970%	46,665,000	2,119,723	Citigroup	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	1,225,598	Goldman Sachs	Semi-annually	06/01/36	135,000
Swap		4.0970%	46,665,000	1,255,412	MSCS	Semi-annually	06/01/36	135,000
Swap		4.0970%	210,005,000	9,418,991	UBS AG	Semi-annually	06/01/36	595,000
Swaption			-	(912,250)	Citigroup			
Swaption			-	(3,780,560)	UBS AG			
			<u>350,000,000</u>	<u>9,326,915</u>				
			<u>\$ 1,086,900,000</u>	<u>\$ 35,668,874</u>				

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts. All fair values that result in a positive value to HESAA are shown as negative amounts.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

D. USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2007

Transaction Type	Bond Issue	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date	Amortized to
Swap	2001	4.6830%	\$ 47,115,000	\$ 1,746,328	UBS AG	Semi-annually	06/01/16	\$ 3,995,000
Swap		4.0175%	42,140,000	354,429	UBS AG	Semi-annually	06/01/16	3,565,000
Cap		6.4000%	4,650,000	(5,014)	UBS AG	05/19/01	06/01/19	1,300,000
		Total	93,905,000	2,095,743				
Swap	2002	4.2005%	58,100,000	956,878	Bear Steams	Semi-annually	06/01/17	5,100,000
Swap		3.2970%	35,655,000	(921,081)	Bear Steams	Semi-annually	06/01/17	2,760,000
		Total	93,755,000	35,797				
Swap	2003	3.1710%	66,000,000	(2,291,017)	UBS AG	Semi-annually	12/01/18	3,000,000
Swap		3.1710%	66,000,000	(2,271,744)	Citigroup	Semi-annually	12/01/18	3,000,000
Cap		0.3930%	14,850,000	289,060	UBS AG	Annually	06/01/28	-
		Total	146,850,000	(4,273,701)				
Swap	2004	4.1480%	72,625,000	965,930	UBS AG	Semi-annually	12/01/19	3,250,000
Swap		4.1480%	72,625,000	986,649	Citigroup	Semi-annually	12/01/19	3,250,000
Swaption			-	(346,395)	UBS AG			
Swaption			-	(340,353)	Citigroup			
		Total	145,250,000	1,265,831				
Swap	2005	4.0100%	68,500,000	292,936	UBS AG	Semi-annually	06/01/21	3,000,000
Swap		4.0100%	68,500,000	306,749	Citigroup	Semi-annually	06/01/21	3,000,000
Swaption			-	(303,586)	UBS AG			
Swaption			-	(299,334)	Citigroup			
		Total	137,000,000	(3,235)				
Swap	2006	4.4750%	72,500,000	2,566,742	UBS AG	Semi-annually	06/01/31	1,000,000
Swap		4.4750%	72,500,000	2,570,382	Citigroup	Semi-annually	06/01/31	1,000,000
Swaption			-	(767,981)	UBS AG			
Swaption			-	(767,792)	Citigroup			
		Total	145,000,000	3,601,351				
Swap	2007	4.0970%	10,665,000	(84,262)	Citigroup	Semi-annually	06/01/36	135,000
Swap		4.0970%	10,665,000	(581,736)	Goldman Sachs	Semi-annually	06/01/36	135,000
Swap		4.0970%	10,665,000	(570,638)	MSCS	Semi-annually	06/01/36	135,000
Swap		4.0970%	48,005,000	(364,252)	UBS AG	Semi-annually	06/01/36	595,000
Swaption			-	(520,575)	Citigroup			
Swaption			-	(2,379,902)	UBS AG			
		Total	80,000,000	(4,501,365)				
		Grand Total	\$ 841,760,000	\$ (1,779,579)				

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts. All fair values that result in a positive value to HESAA are shown as negative amounts.

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NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE

The Authority has issued bonds to support its loan programs. All bonds described herein are limited obligations of the Authority, payable solely from the assets of the NJCLASS/FFELP Trust Estate, as described in the official statement of each issue. In addition to the assets or funds of the Trust Estate, all bonds issued from 1997 through 2008 are covered by municipal bond insurance policies guaranteeing payment of principal and interest in the event of default by the Authority. None of the Authority's assets or funds (other than the Trust Estate) is pledged as security for the bonds.

Bonds Outstanding

The following schedules present summarized information relating to the interest rates and future maturities of the bonds outstanding as of June 30, 2008 and 2007:

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2008	Maturity Dates	Bonds		Reductions	Amounts Due within One Year
			Outstanding (in thousands) June 30, 2007	Outstanding (in thousands) June 30, 2008		
1991, Series B Subordinated Student Loan Revenue Bonds (1)	N/A - See (1), (4)	7/1/2010	\$ -	\$ -	\$ -	\$ -
1992, Series A Student Loan Revenue Bonds	See (4)	7/1/2009	-	-	-	-
1993, Series A Student Loan Revenue Bonds	See (4)	7/1/2010	2,100	(2,100)	-	-
1995, Series A Student Loan Revenue Bonds	See (4)	7/1/07-7/1/12	2,100	(2,100)	-	-
1996, Series A Student Loan Revenue Bonds	5.80%-6.125%	7/1/07-7/1/15	4,690	(1,520)	3,170	380
1997, Series A Student Loan Revenue Bonds	5.45%-5.80%	12/1/07-6/1/16	8,245	(3,100)	5,145	465
1998, Series A Serial Student Loan Revenue Bonds	4.875%-5.30%	6/1/08-6/1/17	28,635	(4,745)	23,890	2,000
1999, Series A Student Loan Revenue Bonds	4.80%-5.25%	6/1/08-6/1/18	21,720	(3,415)	18,305	1,325
2000, Series A Student Loan Revenue Bonds	5.75%-6.15%	6/1/08-6/1/19	30,495	(3,870)	26,625	2,285
2001, Series A through D Student Loan Revenue Bonds (2)	2.958%-14.00% (ARCs)	6/1/2036	190,000	-	190,000	-
2002, Series A through D Student Loan Revenue Bonds (2)	2.80%-14.00% (ARCs)	6/1/2037	166,000	-	166,000	-
2003, Series A through E Student Loan Revenue Bonds (2) (3)	2.94%-14.00% (ARCs)	5/28/2038	212,000	(25,000)	187,000	-
2004, Series A through D Student Loan Revenue Bonds (2)	2.958%-3.15% (ARCs)	4/1/2039	200,000	-	200,000	-
2005, Series A through D Student Loan Revenue Bonds (2)	2.94%-14.00% (ARCs)	5/1/2040	225,000	-	225,000	-
2006, Series A through D Student Loan Revenue Bonds (2)	2.888%-14.00% (ARCs)	12/1/2040	225,000	-	225,000	-
2007, Series A through D Student Loan Revenue Bonds (2)	2.695%-2.853% (ARCs)	12/1/2041	275,000	-	275,000	-
Totals			\$ 1,590,985	\$ (45,850)	\$ 1,545,135	\$ 6,455

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bond Title Issue Year/Series	Rate Range as of June 30, 2007	Interest	Maturity Dates	Bonds		Additions	(Reductions)	Bonds Outstanding (in thousands) June 30, 2007	Amounts Due within One Year
				Outstanding (in thousands) June 30, 2006	Outstanding (in thousands) June 30, 2007				
1991, Series B									
Subordinated Student Loan Revenue Bonds (1)	N/A - See (1), (4)		7/1/2010	\$ 582	\$ -	\$ -	\$(582)	\$0	\$0
1992, Series A									
Student Loan Revenue Bonds	See (4)		7/1/2009	2,560	-	-	(2,560)	0	0
1993, Series A									
Student Loan Revenue Bonds	5.30%		7/1/2010	3,025	-	-	(925)	2,100	0
1995, Series A									
Student Loan Revenue Bonds	5.7%-6.00%		7/1/07-7/1/12	3,005	-	-	(905)	2,100	320
1996, Series A									
Student Loan Revenue Bonds	5.65%-6.125%		7/1/07-7/1/15	5,745	-	-	(1,055)	4,690	455
1997, Series A									
Student Loan Revenue Bonds	5.4%-5.80%		12/1/07-6/1/16	9,495	-	-	(1,250)	8,245	850
1998, Series A									
Serial Student Loan Revenue Bonds	4.8%-5.30%		6/1/08-6/1/17	37,475	-	-	(8,840)	28,635	2,060
1999, Series A									
Student Loan Revenue Bonds	4.70%-5.25%		6/1/08-6/1/18	26,720	-	-	(5,000)	21,720	870
2000, Series A									
Student Loan Revenue Bonds	5.7%-6.15%		6/1/08-6/1/19	37,135	-	-	(6,640)	30,495	1,975
2001, Series A through D									
Student Loan Revenue Bonds (2)	3.85%-3.90% (ARCs)		6/1/2036	190,000	-	-	-	190,000	-
2002, Series A through D									
Student Loan Revenue Bonds (2)	3.86%-3.90% (ARCs)		6/1/2037	166,000	-	-	-	166,000	-
2003, Series A through E									
Student Loan Revenue Bonds (2)(3)	3.85%-3.90% (ARCs)		5/28/2038	212,000	-	-	-	212,000	-
2004, Series A through D									
Student Loan Revenue Bonds (2)	3.85%-4.05% (ARCs)		4/1/2039	200,000	-	-	-	200,000	-
2005, Series A through D									
Student Loan Revenue Bonds (2)	3.82%-3.938% (ARCs)		5/1/2040	225,000	-	-	-	225,000	-
2006, Series A through D									
Student Loan Revenue Bonds (2)	3.83%-3.94% (ARCs)		12/1/2040	225,000	-	-	-	225,000	-
2007, Series A through D									
Student Loan Revenue Bonds (2)	3.81%-3.85% (ARCs)		12/1/2041	-	-	-	-	275,000	-
Totals				\$ 1,343,742	\$ 275,000	\$ -	\$(27,757)	\$ 1,590,985	\$ 6,530

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

- (1) The 1991 Series B Bonds were capital appreciation bonds. The bonds outstanding amount included original principal plus accumulated accretion of the issue price. Interest was not paid on the 1991 Series B Bonds; however, the implied interest rate was 8.14 percent.
- (2) All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Series A through D Student Loan Revenue Bonds are Auction Rate Certificates ("ARCs"). These Bonds carry floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates are reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table are as of June 30, 2008. Because of the ongoing ARC market failures that began in February 2008, the 2007 bonds are being remarketed every seven days in accordance with the provisions of Auction Rate Procedures contained in the Tenth Supplemental Indenture that governs these bonds.
- (3) All 2003 Series E Student Loan Revenue Bonds were Auction Rate Certificates. After the initial rate was set, rates were reset annually. The 2003 Series E Bonds were fully retired through Special Redemption on June 2, 2008.
- (4) Bond issue is fully retired.

Extraordinary Redemption Provisions

Provisions governing the extraordinary redemption of bonds prior to maturity are included in the redemption provisions sections of the indentures for all bonds issued during the years 1991 through 2000. Where applicable, these early redemptions are permitted under the Extraordinary Redemption from Unexpended Proceeds, the Special Redemption, and the Extraordinary Redemption from Excess Revenues sections of the indentures. All bonds retired under the Extraordinary Redemption provisions are redeemable at par.

As of June 30, 2008 and 2007, the Authority had redeemed \$217,548,935 and \$202,708,935, respectively, of bonds from the 1991, 1992, 1993, 1995, 1996, 1997, 1998, 1999 and 2000 Issues under the Extraordinary Redemption from Unexpended Proceeds and the Extraordinary Redemption from Excess Revenues sections of the redemption provisions of each bond issue's indenture.

On June 2, 2008, the Authority redeemed the entire \$25,000,000 2003 Series E Bonds outstanding under the Special Redemption section of the redemption provisions of that issue's supplemental indenture.

Optional Redemption Provisions

Each indenture also contains provisions for the optional redemptions of NJCLASS fixed rate bonds. For the 1991 through 2000 Bond Issues, the Authority is precluded from doing optional redemptions for the first ten years of each issue. From the eleventh to thirteenth years, the prices for optional redemptions by the Authority range from 102 percent to 100 percent (par) of the face amount, with the premium amounts decreasing to par in annual decrements over this two-year period.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Optional Redemption Provisions (Continued)

All 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Bonds are eligible for redemption prior to maturity at any time upon ten days' notice at par plus accrued interest, as long as they remain outstanding as ARCs or are converted to variable rate bonds. If they are converted to a fixed rate, they can be redeemed at any time following the tenth anniversary date of conversion to a fixed rate upon not less than 30 days' notice. If redeemed in the eleventh and twelfth years at the fixed rate, redemption prices include premium amounts of 102 percent and 101 percent, respectively, decreasing to par after twelve years.

No redemptions under the Optional Redemptions section of the indentures have been made by the Authority to date.

Scheduled Maturities

Since inception of the NJCLASS/FFELP Programs in 1991, \$46,875,000 of bonds have been redeemed as scheduled maturities under the supplemental indentures applicable to the 1991 through 2000 Bond Issues.

Conversion of 2001, 2002, 2003, 2004, 2005, 2006 and 2007 Bonds – Auction Rate Certificates - to Fixed Interest Rate or Variable Interest Rate

As required by the Fourth (for 2001), Fifth (for 2002), Sixth (for 2003), Seventh (for 2004), Eighth (for 2005), Ninth (for 2006) or Tenth (for 2007) Supplemental Indentures, the ARCs may be converted to fixed rate or variable rate bonds prior to their final maturities. More than one fixed rate may be established to apply to the 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds, taking into account the scheduled maturity dates. The fixed rate selected must cause the converted bonds to sell at par. For conversions to a variable rate, the interest rate period must be one year or less.

Any 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds to be converted to fixed rate or variable rate bonds shall be subject to mandatory tender for purchase on the fixed or variable rate conversion date, at par plus accrued interest.

The Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and/or Tenth Supplemental Indentures may be amended by supplemental indentures to modify the provisions for optional redemption of the 2001, 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds.

**NOTES TO FINANCIAL STATEMENTS
NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Future Maturities and Sinking Fund Requirements

Future maturities of bonds payable, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	6,455,000	78,851,705	85,306,705
2010	6,495,000	78,514,770	85,009,770
2011	6,555,000	78,177,802	84,732,802
2012	5,380,000	77,786,569	83,166,569
2013	10,590,000	77,517,207	88,107,207
2014-2018	38,875,000	380,304,547	419,179,547
2019-2023	2,785,000	373,363,604	376,148,604
2024-2028	-	373,206,600	373,206,600
2029-2033	-	373,206,600	373,206,600
2034-2038	543,000,000	336,921,525	879,921,525
2039-2043	925,000,000	91,246,309	1,016,246,309
Total	<u>\$ 1,545,135,000</u>	<u>\$ 2,319,097,238</u>	<u>3,864,232,238</u>
Less amount representing interest			<u>2,319,097,238</u>
Net minimum principal payments			<u>\$ 1,545,135,000</u>

HESAA bonds issued between 2001 and 2007 are ARCs, subject to periodic interest rate reset. Interest expense in future years as reflected on this schedule is estimated, based on rates in effect at June 30, 2008, as required by GASB Statement #38, (Certain Financial Statement Note Disclosures). Actual interest expense may be less, due to the May 31, 2008 expiration of the Eleventh Supplemental Indenture, which is described below, as well as lower actual interest rates experienced between June 30, 2008 and the issue date of the Independent Auditors' Report on these Financial Statements.

As a measure to prevent auction failures, on December 17, 2007, HESAA entered into an Eleventh Supplemental Indenture with its Trustee, Wells Fargo Bank, which specified that auction interest rates on these variable rate bonds could be set up to the maximum rate of 14% on the 2001 through 2006 bonds, and 12% on the 2007 bonds through May 31, 2008, without defaulting to the lower of the maximum rate or the index rate multiplied by the Applicable Percentage, as defined in the applicable supplemental indentures.

As governed by the indenture for each issue and series for the years 1996 through 2000, mandatory sinking fund redemptions prior to maturity, in part, by lot are required. The amounts of sinking fund redemptions for the fiscal years 2009 through 2013 and thereafter are included in the maturity schedule shown above.

NOTES TO FINANCIAL STATEMENTS
NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations

All Authority 2001 through 2007 Bonds are ARCs, and thus are subject to periodic rate reset, resulting in a risk that the cost of debt service on these bonds, which is the largest expenditure of the program, will exceed revenues earned from principal and interest payments on the fixed rate student loans, its largest revenue source. Disruptions in the bond market during the latter portion of the 2008 fiscal year, resulted in failed auctions of these bonds. When an auction fails, all bond holders prior to the auction are required to hold them for the next auction period, at the "All Hold" rate, which is the lesser of the maximum rate permitted under the supplemental indenture, or an index rate that is based on either the After Tax Equivalent Rate or the Kenny index, multiplied by an "Applicable Percentage," as defined in the supplemental indenture of each bond issue. As a result, the variable interest rates experienced during the year have exceeded historical norms, and, consequently, the debt service payments on these bonds have exceeded revenues from all sources, causing a decline in the Net Assets of the program.

As long as the 2001 through 2007 Bonds remain outstanding as Auction Rate Certificates, there is a risk that auctions resulting in interest rates in excess of program revenues will continue to occur. These include those as a result of Failed Auctions, resulting in the imposition of the All Hold rate, as well as fluctuations in the ARC rates resulting from possible future successful auctions. All Auctions held between February 2008 and the date of the Independent Auditors' Report on these financial statements have failed, resulting in application of the All Hold Rate.

It is anticipated that when auction rates rise, payments to the Authority from its interest rate swaps, which are structured to offset the risk associated with rising interest rates on the ARC bonds, will result in lower total interest expense than would otherwise be incurred. However, there is no guarantee that payments from interest rate swaps will be sufficient to result in an excess of revenues over expenses for the Program.

In the event that losses caused by excessive bond interest expense result in insufficient cash within the NJCLASS/FFELP Trust to meet its debt service obligations, the Authority's legislation provides for draws on the Debt Service Reserve funds established under the supplemental indentures of each bond issue. The following statement describes the degree to which security for the bonds issued under the 1998 indenture is provided through this and other funding sources.

The HESAA NJCLASS/FFELP ARC Bonds, which are all those issued between 2001 and 2007, are secured on a parity basis with all of the other Series of Bonds previously issued under the 1998 Indenture and are payable from, subject to the terms of the Indenture: (i) Student Loans; (ii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iii) the Debt Service Reserve Fund; and (iv) the monies and securities in the various other funds established under the Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund). The amount deposited in the

**NOTES TO FINANCIAL STATEMENTS
NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

E. BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations (Continued)

Debt Service Reserve Fund is less than the maximum amount of principal and interest on the bonds in certain future Bond Years. Pursuant to a provision in the Authority's enabling Act, the Legislature of the State may pay monies into the Debt Service Reserve Fund, subject to and dependent upon annual appropriations by the Legislature, to restore such account to the Debt Service Reserve Fund Requirement. However, because the Debt Service Reserve Fund Requirement is less than the maximum annual debt service on the bonds, even in the event that the Legislature makes all appropriations contemplated by the Act, such appropriations may be insufficient to pay debt service on the bonds as the same becomes due and payable. Such provision does not constitute a legally enforceable obligation on the part of the State or create a debt or liability on behalf of the State enforceable against the State.

As of June 30, 2008, and the date of the Independent Auditors' Report, amounts available in the debt service reserve funds for each bond issue within the 1998 NJCLASS/FFELP Indenture of Trust, which contains all HESAA ARC bonds, totaled \$32,285,500.

F. ARBITRAGE REBATES

Pursuant to current federal income tax law and in accordance with the bond indentures, certain income earned on non-purpose investments (investments other than student loans) attributable to the Authority's outstanding tax-exempt bonds is subject to payment to the U.S. Treasury as arbitrage rebates.

The arbitrage rebates are determined and calculated annually based upon the percentage of yield realized on the non-purpose investments compared to the percentage of yield on the tax-exempt bonds and is cumulative over the lives and terms of the applicable bond series. Accordingly, the determined amount for any one-year could be reduced in subsequent years based on changes in yield differentials. The following arbitrage profits were subject to rebate and were included in arbitrage payable on the NJCLASS/FFELP program financial statements:

Bond Issue	June 30,	
	2008	2007
1995	\$ -	\$ 648
1997	-	29,940
1998	-	147,095
2000	115,204	115,204
	\$ 115,204	\$ 292,887

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

G. CONCENTRATIONS OF CREDIT RISK

Financial Instruments

As disclosed in Note A, Summary of Significant Accounting Policies, the Authority's loan programs use financial instruments. These agreements are structured to enable variable rate bond proceeds to meet specific needs of the student loan market by reducing the risk associated with changes in interest rates.

As of June 30, 2008 and 2007, the liability associated with financial instruments specified in Note A was \$2,204,371 and \$246,023, respectively. This amount is included in accrued interest payable.

In order to enhance the security of these financial instruments, the Authority has included provisions in the contracts that govern these agreements requiring the counterparty to post collateral in the form of negotiable debt obligations of the U.S. Treasury if its long-term senior unsecured debt rating from S&P is withdrawn, suspended or falls to or below "A+"; if its rating from Moody's is withdrawn, suspended or falls to or below "A1"; or if its rating from Fitch is withdrawn, suspended or falls to or below "A+".

As an additional safeguard, the Authority has the option to terminate the agreements regarding these financial instruments at any time, subject to the settlement of market value amounts due to the issuer or HESAA at the time of termination.

Student Loans Receivable

The Authority provides student loans to New Jersey residents and out-of-state residents attending college in New Jersey, who use the proceeds for the purpose of pursuing higher education. The Authority assesses eligibility of loan applicants using criteria equal to the established guidelines for comparable loans in the banking industry. Management performs ongoing evaluations of its loan recipients and maintains an insurance fund, separate from the bond issues, which is capitalized by a fee charged at disbursement and partially replenished by collections on defaulted loans, to reimburse the bond issues when defaults occur. This policy is in conformity with the reserve amount requirements of the trust indentures between the Authority and Wells Fargo Bank. As a means of ensuring that cash flows generated from NJCLASS Student Loans will be sufficient to cover and protect the interests of the bondholders, management considers the insurance fund cash flows adequate in light of actual loan default experience.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

NOTES TO FINANCIAL STATEMENTS

H. SUBSEQUENT EVENTS

On August 7, 2008, the Authority issued its 2008 Student Loan Revenue Bonds, Series A.

The new debt consisted of \$350,000,000 of fixed rate Student Loan Revenue Bonds issued to originate NJCLASS student loans. The NJCLASS/FFELP 2008 Bonds were issued at fixed rates ranging from 5.875 percent to 6.125 percent, with final maturity on June 1, 2030. These bonds, in combination with a capital commitment of \$14,000,000 from HESAA programmatic reserves, will fund \$333,100,000 in NJCLASS Fixed Rate Standard student loans, and provide \$30,900,000 for the capitalized interest account established with a portion of proceeds for payment of interest on the bonds during the origination period. In addition, all closing costs were paid from outside of the bond issue, also with HESAA programmatic reserves.

I. ROUNDING

Some schedules in the financial statements may have dollar differences due to rounding.

J. UNCERTAINTY RELATING TO AUCTION RATE CERTIFICATES

See Note E.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board Members of
New Jersey Higher Education Student Assistance Authority

We have audited the financial statements of the NJCLASS/FFELP Loan Programs of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered NJCLASS/FFELP Loan Programs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NJCLASS/FFELP Loan Programs' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Internal Control over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NJCLASS/FFELP Loan Programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, trustees, the Authority's board members, management and the State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

Amercador, P C
Certified Public Accountant

October 29, 2008

SUPPLEMENTARY INFORMATION

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2008**

	1991	1992	1993	1995	1996	1997-A	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	Combined
	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issues
Assets																	
Current Assets																	
Cash and Cash Equivalents	\$ 2,693,321	\$ 3,642,019	\$ 1,194,012	\$ 634,730	\$ 326,690	\$ 152,655	\$ 606,356	\$ 350,766	\$ 470,585	\$ 749,653	\$ 46,556,808	\$ 2,811,020	\$ 2,683,716	\$ 5,306,509	\$ 2,649,708	\$ 2,657,541	\$ 73,486,089
Investments	-	-	-	-	2,076,823	2,971,328	8,372,839	5,219,502	7,664,959	42,326,203	-	17,920,572	39,814,762	66,123,516	48,678,807	26,995,323	268,164,635
NJCLASS Student Loans Receivable	18,237	119,745	503,893	387,302	542,336	897,379	4,193,005	2,735,988	3,897,844	11,592,379	9,822,319	21,698,656	15,003,975	6,422,391	3,955,313	12,250,957	94,041,719
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	6,919,600	3,904,420	1,321,557	913,920	425,238	-	-	13,484,735
Interest Receivable - Investments	4,239	5,539	1,763	897	483	16,254	1,880	1,141	2,002	4,987	72,906	38,903	19,379	8,474	95,637	59,319	333,802
Interest Receivable - NJCLASS Student Loans	6,115	9,019	5,149	6,864	10,059	17,329	150,504	93,152	157,211	1,141,252	643,193	2,083,123	2,390,726	2,467,700	2,822,859	3,591,457	15,595,711
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	882,119	483,868	245,620	52,093	62,038	-	-	1,725,738
Due From the General Fund	-	-	-	-	-	-	-	-	-	6,733	-	-	-	-	-	-	6,733
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of \$5,322,994	2,405	77,918	96,048	85,966	39,670	141,918	174,909	113,144	248,280	340,087	569,562	956,084	688,599	209,303	167,173	1,000	3,912,063
Due from Other Bond Issue Funds	-	-	-	-	-	-	-	-	-	-	6,850,000	-	-	-	-	(6,850,000)	-
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	100,274	48,803	14,034	8,144	88	-	-	171,342
Total Current Assets	2,724,318	3,854,239	1,800,864	1,115,759	2,996,061	4,196,864	13,499,493	8,513,692	12,440,881	64,063,288	68,951,878	47,089,569	61,575,314	81,025,256	58,369,497	38,705,597	470,922,568
Non-Current Assets																	
NJCLASS Student Loans Receivable	-	-	-	577,012	1,224,957	2,369,245	15,168,946	11,569,643	16,627,749	72,852,285	55,858,849	123,620,113	129,604,756	142,342,237	165,727,159	232,768,186	970,311,136
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	54,967,729	39,478,029	15,197,906	3,896,183	1,937,194	-	-	115,477,041
Bond Issuance Costs - unamortized	-	-	-	(0)	43,403	121,883	294,892	232,836	265,702	704,940	629,158	900,164	924,450	1,063,711	1,066,652	1,340,961	7,588,753
Financial Instrument Issuance Costs - unamortized	-	-	-	-	-	-	-	-	-	-	189,651	200,447	51,638	52,317	-	-	494,053
Total Non-Current Assets	-	-	-	577,012	1,268,361	2,491,128	15,463,839	11,802,479	16,893,451	128,524,954	96,155,687	139,918,629	134,477,027	145,395,460	166,793,812	234,109,146	1,093,870,984
Total Assets	\$ 2,724,318	\$ 3,854,239	\$ 1,800,864	\$ 1,692,771	\$ 4,264,421	\$ 6,687,991	\$ 28,963,331	\$ 20,316,171	\$ 29,334,332	\$192,588,241	\$165,107,565	\$187,008,198	\$196,052,341	\$226,420,716	\$225,163,309	\$272,814,743	\$ 1,564,793,551
Liabilities																	
Current Liabilities																	
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ 380,000	\$ 465,000	\$ 2,000,000	\$ 1,325,000	\$ 2,285,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,455,000
Accrued Interest Payable - Bonds	-	-	-	-	95,841	24,706	110,557	81,230	141,656	1,954,739	1,651,571	1,474,549	1,853,551	1,907,850	2,031,573	1,348,793	12,676,616
Fees Payable	2,748	1,103	2,076	2,160	4,268	7,179	26,448	15,813	16,537	161,135	147,908	147,820	113,282	116,932	84,758	239,729	1,089,893
Arbitrage Payable	-	-	-	-	-	-	-	-	115,204	-	-	-	-	-	-	-	115,204
Due to the Loan Reserve Fund	1,404	1,295	1,353	1,671	11,158	19,005	31,203	5,472	8,324	19,590	10,088	17,969	33,940	17,463	356	51,124	231,414
Total Current Liabilities	4,152	2,397	3,429	3,831	491,266	515,889	2,168,207	1,427,515	2,566,721	2,135,464	1,809,567	1,640,338	2,000,773	2,042,244	2,116,687	1,639,647	20,568,128
Non-current Liabilities																	
Bonds Payable	-	-	-	-	2,790,000	4,680,000	21,890,000	16,980,000	24,340,000	190,000,000	166,000,000	187,000,000	200,000,000	225,000,000	225,000,000	275,000,000	1,538,680,000
Total Non-current Liabilities	-	-	-	-	2,790,000	4,680,000	21,890,000	16,980,000	24,340,000	190,000,000	166,000,000	187,000,000	200,000,000	225,000,000	225,000,000	275,000,000	1,538,680,000
Total Liabilities	4,152	2,397	3,429	3,831	3,281,266	5,195,889	24,058,207	18,407,515	26,906,721	192,135,464	167,809,567	188,640,338	202,000,773	227,042,244	227,116,687	276,639,647	1,559,248,128
Net Assets																	
Restricted	2,720,165	3,851,842	1,797,435	1,688,941	983,155	1,492,102	4,905,124	1,908,656	2,427,611	452,777	(2,702,002)	(1,632,140)	(5,948,432)	(621,528)	(1,953,378)	(3,824,904)	5,545,424
Total Net Assets	2,720,165	3,851,842	1,797,435	1,688,941	983,155	1,492,102	4,905,124	1,908,656	2,427,611	452,777	(2,702,002)	(1,632,140)	(5,948,432)	(621,528)	(1,953,378)	(3,824,904)	5,545,424
Total Liabilities & Net Assets	\$ 2,724,318	\$ 3,854,239	\$ 1,800,864	\$ 1,692,771	\$ 4,264,421	\$ 6,687,991	\$ 28,963,331	\$ 20,316,171	\$ 29,334,332	\$192,588,241	\$165,107,565	\$187,008,198	\$196,052,341	\$226,420,716	\$225,163,309	\$272,814,743	\$ 1,564,793,551

Note: Differences of \$1-2 are due to rounding

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF NET ASSETS
JUNE 30, 2007**

	1991 Bond Issue	1992 Bond Issue	1993 Bond Issue	1995 Bond Issue	1996 Bond Issue	1997-A Bond Issue	1998 Bond Issue	1999-A Bond Issue	2000 Bond Issue	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue	2004 Bond Issue	2005 Bond Issue	2006 Bond Issue	2007 Bond Issue	Combined Bond Issues
Assets																	
Current Assets																	
Cash and cash equivalents	\$ 2,546,648	\$ 3,118,977	\$ 224,736	\$ 370,649	\$ 529,868	\$ 172,195	\$ 663,988	\$ 508,889	\$ 678,702	\$ 4,427,291	\$ 13,130,305	\$ 7,699,335	\$ 6,227,984	\$ 5,889,711	\$ 2,081,340	\$ 229,370	\$ 48,499,989
Investments	-	-	2,482,513	1,768,780	2,526,268	4,727,588	7,453,193	4,892,955	6,481,318	57,553,836	33,300,398	67,453,544	63,454,795	91,270,701	53,367,386	274,062,704	670,795,979
NJCLASS Student Loans Receivable	64,904	528,490	489,360	537,319	687,576	1,045,936	4,918,906	3,365,625	4,719,506	9,180,192	8,886,139	12,959,272	7,116,289	7,428,323	8,491,042	26,684	70,445,562
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	5,992,416	3,861,640	1,488,827	1,162,247	338,208	-	-	12,843,338
Interest Receivable - Investments	4,443	12,349	655	1,262	1,330	24,581	3,255	2,197	3,407	33,496	49,288	321,700	175,800	47,866	246,128	1,194,212	2,121,967
Interest Receivable - NJCLASS Student Loans	7,202	23,295	12,223	11,171	16,223	35,236	228,109	138,052	243,615	971,565	939,434	1,366,045	2,034,829	2,137,116	3,077,139	1,563	11,242,815
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	879,778	772,172	355,356	69,483	44,664	-	-	2,121,453
Due From the General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,911
Due from the Loan Reserve Fund, net of Allowance for Doubtful Accounts of \$2,673,000	2,405	26,189	59,781	46,161	73,040	102,523	(16,712)	104,568	102,533	143,144	251,468	254,799	91,224	45,489	-	-	1,286,613
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	119,788	68,908	27,439	49,293	-	-	-	265,427
Total Current Assets	2,625,603	3,709,301	3,269,268	2,735,341	3,834,304	6,108,058	13,250,739	9,012,285	12,229,080	79,301,506	61,259,751	91,926,317	80,381,944	107,203,989	67,263,035	275,514,533	819,625,054
Non-Current Assets																	
NJCLASS Student Loans Receivable	-	-	611,266	1,074,262	1,862,166	3,457,960	19,795,082	14,323,000	20,617,655	69,350,992	68,347,703	107,088,527	115,449,897	122,203,025	161,329,803	506,988	706,018,327
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	47,906,817	39,129,303	16,955,874	5,120,715	1,492,257	-	-	110,604,967
Bond Issuance Costs - unamortized	-	-	27,294	27,299	53,394	151,239	362,183	275,519	321,896	730,240	650,960	930,317	954,574	1,097,192	1,099,619	1,381,167	8,062,893
Financial Instrument Issuance Costs - unamortized	-	-	-	-	-	-	-	-	-	-	210,788	220,078	56,173	56,378	-	-	543,417
Total Non-Current Assets	-	-	638,560	1,101,561	1,915,560	3,609,199	20,157,265	14,598,519	20,939,551	117,988,049	108,338,754	125,194,797	121,581,359	124,848,852	162,429,422	1,888,155	825,229,604
Total Assets	\$ 2,625,603	\$ 3,709,301	\$ 3,907,829	\$ 3,836,902	\$ 5,749,865	\$ 9,717,257	\$ 33,408,004	\$ 23,610,804	\$ 33,168,631	\$197,289,554	\$169,598,505	\$217,121,114	\$201,963,303	\$232,052,841	\$229,692,457	\$277,402,688	\$ 1,644,854,658
Liabilities																	
Current Liabilities																	
Bonds Payable	\$ -	\$ -	\$ -	\$ 320,000	\$ 455,000	\$ 850,000	\$ 2,060,000	\$ 870,000	\$ 1,975,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,530,000
Accrued Interest Payable - Bonds	-	-	55,650	62,166	141,088	39,349	123,006	92,513	151,731	660,535	545,627	626,064	703,442	755,445	811,124	1,321,173	6,088,914
Fees Payable	1,167	4,483	4,883	3,706	4,779	8,672	37,166	27,848	31,568	156,401	156,158	313,312	100,244	100,975	92,813	98,448	1,142,624
Arbitrage Payable	-	-	-	648	-	29,940	147,095	-	115,204	-	-	-	-	-	-	-	292,887
Due to the Loan Reserve Fund	3,813	12,349	14,038	6,713	11,030	22,605	68,927	63,898	87,831	78,107	61,907	95,580	18,751	2,578	35,112	4,868	588,110
Total Current Liabilities	4,980	16,832	74,572	393,234	611,897	950,566	2,436,194	1,054,259	2,361,335	895,044	763,692	1,034,956	822,437	858,999	939,049	1,424,489	14,642,534
Non-current Liabilities																	
Bonds Payable	-	-	2,100,000	1,780,000	4,235,000	7,395,000	26,575,000	20,850,000	28,520,000	190,000,000	166,000,000	212,000,000	200,000,000	225,000,000	225,000,000	275,000,000	1,584,455,000
Total Non-current Liabilities	-	-	2,100,000	1,780,000	4,235,000	7,395,000	26,575,000	20,850,000	28,520,000	190,000,000	166,000,000	212,000,000	200,000,000	225,000,000	225,000,000	275,000,000	1,584,455,000
Total Liabilities	4,980	16,832	2,174,572	2,173,234	4,846,897	8,345,566	29,011,194	21,904,259	30,881,335	190,895,044	166,763,692	213,034,956	200,822,437	225,858,999	225,939,049	276,424,489	1,599,097,534
Net Assets																	
Restricted	2,620,623	3,692,469	1,733,257	1,663,668	902,967	1,371,691	4,396,810	1,706,545	2,287,296	6,394,511	2,834,813	4,086,158	1,140,866	6,193,843	3,753,409	978,199	45,757,123
Total Net Assets	2,620,623	3,692,469	1,733,257	1,663,668	902,967	1,371,691	4,396,810	1,706,545	2,287,296	6,394,511	2,834,813	4,086,158	1,140,866	6,193,843	3,753,409	978,199	45,757,123
Total Liabilities & Net Assets	\$ 2,625,603	\$ 3,709,301	\$ 3,907,829	\$ 3,836,902	\$ 5,749,865	\$ 9,717,257	\$ 33,408,004	\$ 23,610,804	\$ 33,168,631	\$197,289,554	\$169,598,505	\$217,121,114	\$201,963,303	\$232,052,841	\$229,692,457	\$277,402,688	\$ 1,644,854,658

Note: Differences of \$1-2 are due to rounding.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008**

	1991	1992	1993	1995	1996	1997-A	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	Combined
	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issues
Operating Revenues																	
Application/Administrative Fee Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,966	\$ (161)	\$ 863,634	\$ 695,289	\$ 495,094	\$ 46,148	\$ 4,689,070	\$ 7,123,040
Interest Income																	
NJCLASS Student Loans	4,660	31,850	61,663	106,288	182,444	300,559	1,645,987	1,164,879	1,754,412	5,310,011	4,397,877	8,233,833	8,634,374	9,214,326	11,131,766	8,984,671	61,159,601
FFELP Student Loans	-	-	-	-	-	-	-	-	-	4,174,314	2,840,638	1,168,688	444,256	127,342	-	-	8,755,238
Total Operating Revenues	4,660	31,850	61,663	106,288	182,444	300,559	1,645,987	1,164,879	1,754,412	9,818,291	7,238,354	10,266,155	9,773,919	9,836,762	11,177,914	13,673,741	77,037,878
Operating Expenses																	
Loan Servicing Fees																	
NJCLASS Student Loans	1,662	15,507	25,312	25,971	32,809	52,859	274,604	189,338	192,805	609,774	376,798	1,131,021	854,162	769,863	655,006	2,826,496	8,033,987
FFELP Student Loans	-	-	-	-	-	-	-	-	-	1,252,141	822,745	351,316	84,097	32,983	-	-	2,543,282
Total Fees Paid to Servicing Agents	1,662	15,507	25,312	25,971	32,809	52,859	274,604	189,338	192,805	1,861,915	1,199,543	1,482,337	938,259	802,846	655,006	2,826,496	10,577,269
Program Expenses																	
Annual Insurance Expense	-	-	-	-	-	5,000	19,112	14,000	19,000	123,500	107,900	159,002	145,000	157,500	157,500	98,750	1,006,264
Transaction Fees	-	-	-	-	-	-	-	-	-	313,500	265,600	335,978	320,000	360,000	360,000	445,990	2,401,068
Bad Debt Expense	-	(13,700)	(26,200)	(19,200)	(31,800)	(47,000)	30,961	(14,842)	166,677	95,387	375,299	834,756	788,803	252,850	256,468	1,535	2,649,994
Other Program Expenses	-	-	-	-	-	-	-	-	-	166,941	(27)	431,962	347,595	247,297	37,890	2,490,748	3,722,405
Total Program Expenses	-	(13,700)	(26,200)	(19,200)	(31,800)	(42,000)	50,073	(842)	185,677	699,328	748,772	1,761,698	1,601,398	1,017,647	811,858	3,037,023	9,779,730
Bond Interest Expense	-	-	38,094	44,274	247,246	411,703	1,383,949	1,026,664	1,746,217	15,545,453	12,938,473	15,031,544	16,611,048	18,391,039	18,131,750	18,977,287	120,524,740
Total Operating Expenses	1,662	1,807	37,206	51,045	248,254	422,562	1,708,626	1,215,159	2,124,699	18,106,695	14,886,787	18,275,580	19,150,705	20,211,532	19,598,614	24,840,806	140,881,739
Operating (Loss) Income	2,998	30,043	24,457	55,243	(65,810)	(122,003)	(62,638)	(50,280)	(370,287)	(8,288,404)	(7,648,433)	(8,009,424)	(9,376,786)	(10,374,770)	(8,420,700)	(11,167,065)	(63,843,861)
Non-Operating Revenues (Expenses)																	
Income on Investments	96,544	129,330	67,015	58,603	155,989	271,771	491,149	295,073	566,796	2,371,970	2,154,556	2,399,921	2,322,146	3,537,383	2,267,941	6,404,168	23,590,357
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	59,559	478,939	-	538,497
Amortization of Interest Rate Cap	-	-	-	-	-	-	-	-	-	-	-	(74,964)	-	-	-	-	(74,964)
Amortization of Bond Issuance Cost	-	-	(27,294)	(27,299)	(9,991)	(29,357)	(67,291)	(42,682)	(56,194)	(25,300)	(21,802)	(30,154)	(30,124)	(33,481)	(32,967)	(40,206)	(474,140)
Amortization of Swap Fees	-	-	-	-	-	-	-	-	-	-	(21,137)	(3,677)	(4,535)	(4,061)	-	-	(33,409)
Arbitrage Expense	-	-	-	(61,275)	-	-	147,095	-	-	-	-	-	-	-	-	-	85,820
Total Non-Operating Revenues	96,544	129,330	39,721	(29,971)	145,998	242,415	570,952	252,391	510,603	2,346,670	2,111,618	2,291,127	2,287,487	3,559,399	2,713,913	6,363,963	23,632,161
Change in Net Assets	99,543	159,373	64,178	25,272	80,188	120,411	508,314	202,111	140,315	(5,941,733)	(5,536,815)	(5,718,297)	(7,089,298)	(6,815,371)	(5,706,787)	(4,803,102)	(40,211,700)
Net Assets (Deficit), beginning of year	2,620,623	3,692,469	1,733,257	1,663,668	902,967	1,371,691	4,396,810	1,706,545	2,287,296	6,394,511	2,834,813	4,086,158	1,140,866	6,193,843	3,753,409	978,199	45,757,123
Net Assets (Deficit), end of year	\$ 2,720,165	\$ 3,851,842	\$ 1,797,435	\$ 1,688,941	\$ 983,155	\$ 1,492,102	\$ 4,905,124	\$ 1,908,656	\$ 2,427,611	\$ 452,777	\$ (2,702,002)	\$ (1,632,140)	\$ (5,948,432)	\$ (621,528)	\$ (1,953,378)	\$ (3,824,904)	\$ 5,545,424

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007**

	1991	1992	1993	1995	1996	1997-A	1998	1999-A	2000	2001	2002	2003	2004	2005	2006	2007	Combined
	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issue	Bond Issues
Operating Revenues																	
Application/Administrative Fee Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (163)	\$ (538)	\$ 31,149	\$ (700)	\$ 1,639,672	\$ 3,169,342	\$ 10,675	\$ 4,849,436
Interest Income																	
NJCLASS Student Loans	15,613	40,591	100,652	149,504	233,468	427,193	2,034,274	1,449,275	2,176,115	5,281,347	5,024,193	7,237,068	7,829,085	6,930,868	6,066,837	1,573	44,997,655
FFELP Student Loans	-	-	-	-	-	-	-	-	-	4,257,824	3,613,998	1,520,153	611,702	31,726	-	-	10,035,402
Total Operating Revenues	<u>15,613</u>	<u>40,591</u>	<u>100,652</u>	<u>149,504</u>	<u>233,468</u>	<u>427,193</u>	<u>2,034,274</u>	<u>1,449,275</u>	<u>2,176,115</u>	<u>9,539,008</u>	<u>8,637,653</u>	<u>8,788,370</u>	<u>8,440,087</u>	<u>8,602,266</u>	<u>9,236,178</u>	<u>12,248</u>	<u>59,882,493</u>
Operating Expenses																	
Loan Servicing Fees																	
NJCLASS Student Loans	10,780	36,572	36,416	33,662	41,192	64,695	326,656	223,295	225,870	438,271	415,227	637,834	450,498	1,239,298	1,881,315	5,185	6,066,767
FFELP Student Loans	-	-	-	-	-	-	-	-	-	1,113,334	862,999	391,698	107,975	42,906	-	-	2,518,912
Total Fees Paid to Servicing Agents	<u>10,780</u>	<u>36,572</u>	<u>36,416</u>	<u>33,662</u>	<u>41,192</u>	<u>64,695</u>	<u>326,656</u>	<u>223,295</u>	<u>225,870</u>	<u>1,551,606</u>	<u>1,278,226</u>	<u>1,029,533</u>	<u>558,473</u>	<u>1,282,204</u>	<u>1,881,315</u>	<u>5,185</u>	<u>8,585,680</u>
Program Expenses																	
Annual Insurance Expense	-	-	-	-	-	7,000	22,908	16,000	22,000	123,500	107,900	159,002	145,000	157,500	78,750	-	839,560
Transaction Fees	-	-	-	-	-	-	-	-	-	313,500	265,600	339,200	325,000	360,000	360,000	55,000	2,018,300
Bad Debt Expense	-	(12,100)	6,400	3,800	1,800	(26,000)	120,100	104,100	80,900	254,800	363,400	532,000	225,400	68,400	-	-	1,723,000
Other Program Expenses	-	-	-	-	-	-	-	-	-	(79)	(182)	15,320	(238)	771,659	1,712,739	4,868	2,504,087
Total Program Expenses	<u>-</u>	<u>(12,100)</u>	<u>6,400</u>	<u>3,800</u>	<u>1,800</u>	<u>(19,000)</u>	<u>143,008</u>	<u>120,100</u>	<u>102,900</u>	<u>691,721</u>	<u>736,718</u>	<u>1,045,522</u>	<u>695,162</u>	<u>1,357,559</u>	<u>2,151,489</u>	<u>59,868</u>	<u>7,084,947</u>
Bond Interest Expense	-	68,477	132,145	146,154	308,001	508,320	1,757,854	1,257,258	2,108,400	7,766,143	6,431,370	7,278,125	8,218,794	8,768,413	8,800,767	1,321,173	54,871,394
Total Operating Expenses	<u>10,780</u>	<u>92,949</u>	<u>174,962</u>	<u>183,616</u>	<u>350,993</u>	<u>554,015</u>	<u>2,227,518</u>	<u>1,600,654</u>	<u>2,437,170</u>	<u>10,009,470</u>	<u>8,446,314</u>	<u>9,353,180</u>	<u>9,472,428</u>	<u>11,408,176</u>	<u>12,833,571</u>	<u>1,386,226</u>	<u>70,542,021</u>
Operating Income (Loss)	<u>4,833</u>	<u>(52,358)</u>	<u>(74,310)</u>	<u>(34,112)</u>	<u>(117,525)</u>	<u>(126,822)</u>	<u>(193,244)</u>	<u>(151,379)</u>	<u>(261,055)</u>	<u>(470,462)</u>	<u>191,338</u>	<u>(564,810)</u>	<u>(1,032,341)</u>	<u>(2,805,910)</u>	<u>(3,597,393)</u>	<u>(1,373,978)</u>	<u>(10,659,527)</u>
Non Operating Revenues (Expenses)																	
Income on Investments	155,507	206,231	134,407	129,845	87,438	285,284	567,316	325,864	582,324	2,956,870	1,827,418	3,477,182	3,409,299	6,408,262	6,639,053	1,732,010	28,924,312
Miscellaneous Income	2,215	-	-	-	-	-	-	-	5,612	23,132	26,719	77,487	14,526	59,317	47,078	625,000	881,086
Amortization of Financial Instrument Issuance	-	-	-	-	-	-	-	-	-	-	(21,079)	(82,493)	(4,505)	(4,034)	-	-	(112,111)
Amortization of Bond Issuance Cost	-	(29,199)	(8,422)	(9,385)	(11,193)	(31,019)	(72,097)	(42,479)	(62,772)	(25,231)	(23,938)	(27,868)	(30,041)	(32,756)	(32,668)	(4,833)	(443,903)
Arbitrage Expense	-	-	-	22,036	-	15,387	(147,095)	-	(54,506)	-	-	-	-	-	-	-	(164,178)
Total Non Operating Revenues (Expenses)	<u>157,722</u>	<u>177,032</u>	<u>125,984</u>	<u>142,496</u>	<u>76,245</u>	<u>269,652</u>	<u>348,125</u>	<u>283,385</u>	<u>470,659</u>	<u>2,954,771</u>	<u>1,809,120</u>	<u>3,444,309</u>	<u>3,389,279</u>	<u>6,430,788</u>	<u>6,653,463</u>	<u>2,352,176</u>	<u>29,085,206</u>
Change in Net Assets	<u>162,555</u>	<u>124,674</u>	<u>51,675</u>	<u>108,383</u>	<u>(41,280)</u>	<u>142,830</u>	<u>154,880</u>	<u>132,006</u>	<u>209,603</u>	<u>2,484,309</u>	<u>2,000,458</u>	<u>2,879,499</u>	<u>2,356,938</u>	<u>3,624,878</u>	<u>3,056,070</u>	<u>978,199</u>	<u>18,425,678</u>
Net Assets (Deficit), beginning of year	2,458,068	3,567,795	1,681,582	1,555,285	944,247	1,228,861	4,241,930	1,574,539	2,077,692	3,910,201	834,355	1,206,659	(1,216,071)	2,568,964	697,338	-	27,331,445
Net Assets (Deficit), end of year	<u>\$ 2,620,623</u>	<u>\$ 3,692,469</u>	<u>\$ 1,733,257</u>	<u>\$ 1,663,668</u>	<u>\$ 902,967</u>	<u>\$ 1,371,691</u>	<u>\$ 4,396,810</u>	<u>\$ 1,706,545</u>	<u>\$ 2,287,296</u>	<u>\$ 6,394,511</u>	<u>\$ 2,834,813</u>	<u>\$ 4,086,158</u>	<u>\$ 1,140,866</u>	<u>\$ 6,193,843</u>	<u>\$ 3,753,409</u>	<u>\$ 978,199</u>	<u>\$ 45,757,123</u>